

Message Text

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PAGE 01 EC BRU 05573 290026Z

20

ACTION EUR-25

INFO OCT-01 IO-15 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SPC-03

STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 PA-03 PRS-01

USIA-15 AF-10 /137 W

----- 096564

R 281730Z SEP 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5808

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

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PASS TREASURY, FRB AND CEA

E.O. 11652: NA

TAGS: EFIN, EEC

SUBJ: INCREASE IN FUNDING FOR EC MONETARY
COOPERATION FUND DENIED

1. SUMMARY. INFORMED EC COMMISSION OFFICIALS
WHO HAVE BEEN IN TOUCH WITH COMMISSION REPRESENTATIVES
IN NAIROBI HAVE TOLD US THERE IS NO TRUTH TO
NEWSPAPER REPORTS ALLEGING THAT THE EC FINANCE
MINISTERS DECIDED IN NAIROBI TO INCREASE THE
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PAGE 02 EC BRU 05573 290026Z

FUNDING OF THE EC MONETARY COOPERATION FUND TO

\$12 BILLION. AT THE SAME TIME OUR SOURCES SAY THE MINISTERS AND EC CENTRAL BANKERS MAY HAVE DISCUSSED INCREASES IN BILATERAL SWAP ARRANGEMENTS AMONG THE MEMBER STATES. END SUMMARY.

2. TO CITE ONE SUCH REPORT, PAUL FABRA WRITES IN "LE MONDE" (SEPTEMBER 28, 1973) THAT THE MINISTERS DECIDED TO INCREASE THE FINANCING OF THE FUND FROM ITS PRESENT \$1.5 BILLION TO \$12 BILLION. QUITE ASIDE FROM THEIR ACCURACY, THIS AND OTHER REPORTS EMANATING FROM NAIROBI MAY REVEAL A CONFUSION BETWEEN THE PROPOSED INITIAL FUNDING OF THE FUND AND THE SHORT-TERM CREDITS THE FUND WOULD EVENTUALLY ADMINISTER IN SUPPORT OF EC MONETARY ARRANGEMENTS. AT PRESENT THE FUND HAS NO FINANCIAL RESOURCES AT ALL. THE COMMISSION'S PROPOSAL ON RESERVE POOLING (DESCRIBED IN EC BRUSSELS 4614) CALLED FOR ENDOWING THE FUND INITIALLY WITH A WORKING CAPITAL OF 500 MILLION UNITS OF ACCOUNT (1 UAC EQUALS \$1.2063) -- AND NOT REPEAT NOT \$1.5 BILLION AS FABRA WRITES -- TO BE FOLLOWED BY 11.3 BILLION UAC AS THE FIRST TRANCHE OF POOLED COMMUNITY RESERVES. FINALLY, THE COMMISSION'S PROPOSAL CALLS FOR AN INCREASE IN THE FUND'S CREDIT FACILITIES FROM 1.4 BILLION UAC TO 8.175 BILLION UAC.

3. THE SAME PRESS STORIES ALSO ASSERT THAT THE FINANCE MINISTERS REACHED AGREEMENT IN NAIROBI ON MEASURES TO STRENGTHEN COORDINATION OF THEIR DOMESTIC MONETARY POLICIES AND DOLLAR INTERVENTIONS. THE FRG AND OTHER MEMBER STATES ARE REPORTED TO HAVE AGREED TO GRANT FRANCE SHORT-TERM SWAP LINES IN AMOUNTS CHARACTERIZED AS UNLIMITED. OUR COMMISSION CONTACTS HAVE TOLD US THAT NO OFFICIAL MEETING OF THE EC FINANCE MINISTERS TOOK PLACE IN NAIROBI AND THAT THEY ARE UNAWARE OF ANY NEW DECISIONS RELATED TO INTRA-EC MONETARY COOPERATION.

4. ON THE OTHER HAND OUR SOURCES SAY THE EC FINANCE MINISTERS AND CENTRAL BANKERS MAY HAVE LIMITED OFFICIAL USE

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PAGE 03 EC BRU 05573 290026Z

INFORMALLY DISCUSSED AN INCREASE IN BILATERAL SWAP LINES AMONG THE MEMBER STATES SINCE THE TOTAL AVAILABLE SHORT-TERM CREDITS (1.4 BILLION UAC) HAVE BEEN ACTIVATED BY ITALY AND ARE THUS UNAVAILABLE AT THIS TIME TO ANY OTHER MEMBER STATE. (UNDER CURRENT EC MONETARY ARRANGEMENTS VERY SHORT-TERM CREDITS, WHICH ARE REPAYABLE AT THE END OF THE MONTH FOLLOWING THE ONE IN WHICH THE CREDIT IS GRANTED,

ARE UNLIMITED IN AMOUNT.)

5. ONE OF OUR CONTACTS BELIEVES GISCARD MAY HAVE
DELIBERATELY LEAKED THE STORY THAT FRANCE HAS BEEN
GRANTED UNLIMITED CREDITS BY ITS EC PARTNERS IN
ORDER TO CALM THE EXCHANGE MARKETS. WHATEVER THE
CAUSE, SPECULATIVE PRESSURES APPEAR TO HAVE ABATED
AS THE EC SNAKE NARROWED TO A WIDTH OF 1.9 PERCENT
AS OF THE MORNING FIXINGS ON SEPTEMBER 28, WITH
THE DM AT THE TOP AND THE FRENCH FRANC AT THE BOTTOM
OF THE NARROWED BAND. HARTMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 28 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU05573
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973094/aaaaacqe.tel
Line Count: 126
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 06 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Sep-2001 by elyme>; APPROVED <05-Nov-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INCREASE IN FUNDING FOR EC MONETARY COOPERATION FUND DENIED
TAGS: EFIN, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005